



**Pfizer Testimony – Oppose: Raised Bill No. 925**  
***An Act Concerning the Cost of Prescription Drugs***  
***and Value-Based Insurance Design***

Co-Chairs Larson, Kelly, and Scanlon, and members of the Committee on Insurance and Real Estate, thank you for the opportunity to testify on Raised Bill Number 925. My name is Kirsten Axelsen. I am the Vice President of Global Policy at Pfizer and I am here today on behalf of Pfizer to share our concerns regarding this piece of legislation.

Pfizer is a research-based global pharmaceutical company dedicated to the discovery and development of innovative medicines and treatments that improve the quality of life for people around the world.

Connecticut is home to the largest site in Pfizer's R&D network and our Groton site serves as a Center of Excellence for drug discovery and development. Pfizer also operates a state-of-the-art clinical research unit in New Haven, where colleagues perform clinical research studies. Nearly every Pfizer medicine is developed in part by more than 3,000 Connecticut colleagues who work to translate advanced science and technologies into the therapies that matter for patients in need. Pfizer Connecticut colleagues are leading the way in drug development, providing vital information, tools, technologies, data, drug targets, and compounds to scientists around the globe, at every level of drug discovery and development, and across all of Pfizer's therapeutic areas.

Pfizer is committed to meeting the needs of patients and improving the health care system and, as such, we have been an active participant in the work undertaken by Lieutenant Governor Wyman and the Healthcare Cabinet to identify ways to improve the efficiency and quality of health care delivered to the citizens of Connecticut. The Cabinet has embarked on a thoughtful, inclusive process to better understand the complexities of pharmaceutical pricing, purchasing, and supply dynamics, which may be short-circuited by passage of Raised Bill No. 925.

Furthermore, although Raised Bill No. 925 includes concepts that Pfizer supports, such as encouraging enrollee access to value-based insurance designs (VBID) and ensuring that patients' coinsurance is based on net cost rather than list prices, we have *significant* concerns regarding pricing pre-notification (*Section 5*) and disclosure mandates (*Section 6*) which are outlined below.

***Pre-Notification Mandate***

Mandating that manufacturers signal price changes in advance can have negative implications on the prescription drug supply chain, which can reduce access for patients and put quality at risk. Stockpiling of prescriptions drugs occurs today when price changes are announced. Further advanced notice of price changes would create more incentives and opportunity for stockpiling, potentially resulting in drug shortages not only within the state, but nationwide. Additionally, stockpiling and shortages can result in



medicines being sold by unauthorized distributors or on the gray market, disrupting a manufacturer's processes for maintaining high quality assurance of its products.

### *Disclosure Mandate*

Pfizer opposes disclosure mandates that require prescription drug manufacturers – or any other entity – to report proprietary information such as pricing, research and development, manufacturing, and marketing costs over and above the extensive information already disclosed in financial filings and publicly available.

Drug prices and development costs are readily available from a variety of public sources, including securities filings. List prices are publicly available. Information on Research and Development (R&D) expenses, Selling, Informational and Administrative (SI&A) expenses, and cost of sales information for drugs collectively manufactured by Pfizer is provided on an aggregate basis in quarterly and annual reports (Forms 10-Q and Forms 10-K). These additional disclosure mandates in Raised Bill No. 925 neither improve patient care nor lower health care costs. Rather, they will raise the administrative costs of developing and delivering life changing medicines.

A Pricewaterhouse Coopers survey of companies required to comply with the Sunshine Act by reporting payments to physicians and teaching hospitals found that most companies added almost \$5 million to their operating budgets over a three year period (2012-2015). There is no credible evidence that that investment has either benefitted patients or improved healthcare delivery.

Disclosure mandates gather only a narrow slice of information and miss the larger drivers of health care spending. Cost-focused initiatives should instead be system-wide. All health care stakeholders – prescription drug manufacturers, insurers, pharmacy benefit managers (PBMs), hospitals and health care professionals – have a role to play in ensuring a high-quality, cost-efficient system.

Given that prescription drug costs represent a small fraction of health care spending overall (< 20%)<sup>i</sup> and are a proportionally small contributor to premium growth,<sup>ii</sup> focusing disclosure mandates on medicines is short-sighted and could lead to incomplete and poorly designed policies. Policymakers interested in making improvements to the health care system and reducing health care costs should seek information that provides a holistic picture of health care, and promote a definition of value that considers impacts to health over time and across all appropriate stakeholders.

Connecticut's own Department of Social Services recently cautioned the Governor's Health Care Cabinet about approaches to controlling drug costs that "examines drug costs outside of the context of other health costs and health needs," and that such approaches fail "to account for the substantial clinical and financial benefits generated by medications and related treatments."<sup>iii</sup> They further noted that, "[m]edications save money and lives. PhARMA (sic) is correct in its assertion that medications are largely why heart disease rates decreased 46% in the U.S. between 1991 and 2011."<sup>iv</sup>



### ***Patient-Focused Information***

We believe that information gathered by policymakers should improve health care decision-making and patient care, and should not impart burdensome reporting requirements on companies that yield data that is of little use to patients and health care professionals. In particular, we need to focus on providing information that can be used by patients to improve their health care and insurance enrollment decision making (e.g., plan-level information on coverage and out-of-pocket cost-sharing requirements). We do not believe the disclosure mandates in Raised Bill No. 925 yield information that is useful to patients or their providers in making health care decisions.

The American Institute for Research has noted that, “[l]acking health insurance-related knowledge and skills—or health insurance literacy—puts people at risk of choosing an insurance product that could fail to provide needed benefits or protect them financially. And, previous research has shown that consumers who struggle to understand how health insurance works and how to estimate out-of-pocket costs are at risk of going without needed care even if they are covered.”<sup>v</sup>

They also noted that, “[w]hen comparing plans, most people (79%) were moderately or very likely to check which hospitals and physician are covered in each plan,” and, “only slightly more than half of people were moderately or very likely to ‘look to member services to tell you what medical services your health plan covers.’”<sup>vi</sup>

An Avalere Health analysis of the consumer shopping experience in health insurance exchanges revealed that, “thirty-eight percent of plans had no drug formulary data available, presenting significant obstacles to consumers who are shopping for insurance and attempting to assess the value of their coverage.”<sup>vii</sup>

Given the vital role medicines play in preventing the onset or worsening of many conditions, as well as preventing the need for more intensive, higher cost health services, rather than mandating disclosure of information that will not help patients, we believe Connecticut should ensure that up-to-date and accurate drug formulary information is available to its residents. To choose the plan that best fits their needs, patients need to know which drugs are listed on the plan’s formulary; tier placement and associated cost sharing levels; and utilization management (UM) restrictions, such as prior authorization, step therapy, or quantity limits.

Greater access to insurance coverage information, *conveyed in a manner that average consumers can easily understand*, enhances the ability of consumers and businesses to make informed decisions among available coverage options. It also allows providers and their patients to identify optimal treatment programs. Medication non-adherence is associated with \$290 billion in excess health care costs.<sup>viii</sup> For patients to make effective health care and financial choices, they must be able to understand and compare health plans’ medical and formulary coverage and costs relative to their current and expected future healthcare status.



## Conclusions

If better health care and lower costs are our goals, we should encourage models of *purpose-driven* information-gathering that focus on enhancing collection and integration of claims and clinical data across all payers in a state, which can then be used to identify the underlying drivers of health care costs and assess the comparative value of each treatment or service. We should continue to develop models to facilitate and incentivize a shift from fee-for-service to value-based payment arrangements for all services, including prescription drugs. Ultimately, solutions require engagement by and cooperation among *all* health care stakeholders, since each has a role to play in ensuring a high-quality, cost-efficient health care system.

Finally, we respectfully request that the Committee allow the Health Care Cabinet to complete its work and use any relevant findings to shape future policy solutions, rather than short-circuiting the efforts by passing this bill.

Again, we appreciate the opportunity to testify here today and look forward to working with the Committee members and other stakeholders in Connecticut to improve health care in the state.

Sincerely,

A handwritten signature in cursive script, appearing to read "Kirsten Axelsen".

Kirsten Axelsen  
Vice President, Global Policy  
Pfizer Inc.

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<sup>i</sup> Centers for Medicare & Medicaid Services, National Health Expenditure Projections 2014-2024 (2015).

<sup>ii</sup> Avalere, *Health Insurance Premium Increases Largely Mirror Spending*, Nov. 16, 2015, <http://avalere.com/expertise/managed-care/insights/health-insurance-premium-increases-largely-mirror-spending>.

<sup>iii</sup> CT Department of Social Services, Presentation to the Connecticut Healthcare Cabinet, February 14, 2017.

<sup>iv</sup> *Ibid.*

<sup>v</sup> American Institutes for Research, "Many Americans Lack Health Insurance Knowledge Skills," <http://aircpe.org/2014/10/many-americans-lack-health-insurance-knowledge-skills/>

<sup>vi</sup> *Ibid.*

<sup>vii</sup> Avalere Health, LLC, "Exchange Consumer Experience: Study finds lack of transparency on drug coverage in exchanges, but better data on provider networks." April 25, 2014. Available at <http://avalere.com/expertise/managed-care/insights/avalere-analysis-exchange-consumer-experience>. Last accessed March 23, 2015.

<sup>viii</sup> NEHI, "Improving Patient Medication Adherence: A\$290 Billion Opportunity." 2011. Available at [http://www.nehi.net/bendthecurve/sup/documents/Medication\\_Adherence\\_Brief.pdf](http://www.nehi.net/bendthecurve/sup/documents/Medication_Adherence_Brief.pdf). Last accessed on March 23, 2015.